

Supporting Statement for the Foreign Branch Report of Condition (FFIEC 030; OMB No. 7100-0071)

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) for a three-year extension, with revision, the Foreign Branch Report of Condition (FFIEC 030; OMB No. 7100-0071). Insured domestically chartered commercial banks (U.S. banks) are required to submit, to the appropriate Federal Reserve Bank, a limited balance sheet for all their foreign branches. This report is collected annually as of December 31 or quarterly for significant branches as of the last day of each calendar quarter. The Federal Reserve receives reports for all foreign branches of U.S. banks, regardless of charter type, on behalf of the U.S. banks' primary federal bank regulatory agencies [the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC)] to fulfill their statutory obligation to supervise foreign operations of domestic banks. The total current annual burden for the FFIEC 030 report is estimated to be 687 hours. A copy of the reporting forms and instructions are attached.

On May 8, 2003, the OCC and the Board published a notice soliciting comment for 60 days on the proposed extension, without revision, of the FFIEC 030 (68 FR 24741). The FDIC published a separate notice proposing extension, without revision, of the FFIEC 030 on April 21, 2003 (68 FR 19542). The agencies received one comment letter from a bankers association on the proposed extension. The letter noted that banks are currently required to report on the FFIEC 030 net amounts due from or due to related institutions of the consolidated bank on separate lines according to institution type: other foreign branches, the head office and U.S. branches, and the consolidated subsidiaries of the bank. The association indicated that providing this level of detail is particularly burdensome and requested that branches instead report only the gross amounts due to and due from related entities as a group.

After considering the comments received, the FFIEC and the agencies decided to modify the information collected on the net due from and the net due to related institutions to collect a two-way breakout of these items on a gross basis. In making this change, the FFIEC and the agencies concluded that combining the separate items distinguishing a foreign branch's funding to or from U.S. offices of the bank from its funding to or from other foreign offices of the bank would provide adequate information for supervisory purposes. The revisions to the reporting form and instructions are described below in detail.

Background and Justification

The Federal Reserve and the OCC have collected some version of the Foreign Branch Report of Condition from member banks since 1965 and 1964, respectively. The FDIC began

collecting this report in the early 1980s from a relatively small number of insured, state nonmember banks. In 1984, the Federal Financial Institutions Examination Council (FFIEC)¹ approved the proposal to give this report an FFIEC number under section 1006 of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). (Prior to 1984, the Federal Reserve System collected these data on the FR 2105f reporting form.)

The FFIEC 030 collects information on the structure and geographic distribution of foreign branch assets and liabilities. The federal bank supervisory agencies use this information to plan examinations and to analyze the foreign operations of domestic banks. Growth trends can be measured by bank, by country, and by bank within country. Aggregate data are a useful source of information on bank activities for the general public. This series is the oldest statistical series that exists for foreign branches of member banks and is an important source for measuring the growth of these offices.

The FFIEC 030 is the only report through which the federal bank supervisory agencies collect balance sheet information on foreign branches from insured domestically chartered commercial banks. The Federal Reserve uses another report, the Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks (FR 2502q; OMB No. 7100-0079), to collect less detailed balance sheet information from parent institutions of foreign branches or subsidiaries (specifically, those with total assets of \$500 million or more). This report only collects gross assets and liabilities by the country of the principal address of the customer, rather than the type of assets and liabilities of the branch. Although the FR 2502q does not provide comparable information, the Federal Reserve may check the FFIEC 030 to determine whether individual branches that report total assets greater than or equal to \$500 million, also report on the FR 2502q.

Description of Information Collection

The FFIEC 030 is a two-page report that collects balance sheet information on all foreign branches from insured domestically chartered commercial banks, regardless of the size of the branch. Some reporters may choose to file one consolidated report for all their branches located in the same foreign country; however, reporters are not permitted to consolidate data for significant branches with data for any other branches.

Each line item of the FFIEC 030 relates directly to one or more items on the Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices (Call Report; FFIEC 031; OMB No. 7100-0036); no additional information is requested. As of

¹ The Federal Reserve System, the OCC, and the FDIC are member agencies of the FFIEC.

June 30, 1997, the reporting instructions were revised to conform to the Generally Accepted Accounting Principles (GAAP). Banks must file quarterly for foreign branches with total assets of at least \$2 billion or commitments to purchase foreign currencies and U.S. dollar exchange of at least \$5 billion ("significant branches") and annually for all other foreign branches.

FFIEC 030 revisions effective December 31, 2003

Reporting form

- Assets item 10, "Net due from other foreign branches of this bank," and item 11, "Net due from head office and U.S. branches of this bank" will be combined, retitled, and collected as a single item on a gross basis.
- Assets item 12, "Net due from consolidated subsidiaries of this bank," will be retitled and collected on a gross basis.
- Liabilities item 21, "Net due to other foreign branches of this bank," and item 22, "Net due to head office and U.S. branches of this bank" will be combined, retitled, and collected as a single item on a gross basis.
- Liabilities item 23, "Net due to consolidated subsidiaries of this bank," will be retitled and collected on a gross basis.

The instructions will be revised to reflect the changes made to the reporting form.

Time Schedule for Information Collection and Publication

The FFIEC 030 is collected annually as of December 31 from insured commercial banks with one or more branch offices in a foreign country and quarterly from banks with significant branches as of the last calendar day of March, June, September, and December. The FFIEC 030 must be submitted by qualifying banks regardless of charter type to the local Federal Reserve Bank within forty-five days of the report date. Each Federal Reserve Bank reviews the reports for accuracy and completeness before sending a copy to the Board for further processing. The Federal Reserve Board then compiles the reported information and makes it available to the OCC and the FDIC four months after the as-of date for both quarterly and annual reporters. Aggregate data are published in the Federal Reserve Annual Report and the Department of Commerce's Annual Statistical Digest. Microdata are confidential.

Legal Status

The Board's Legal Division has determined that 12 U.S.C. Sections 321, 324, and 602 and Regulation K, 12 C.F.R. §211.1(c), note 1 authorize the Board to require the report. The Board's Legal Division also has determined that this report is a report of condition within the meaning of exemption 8 in the Freedom of Information Act [5 U.S.C. Section 552(b)(8)] and that individual respondent information is accorded confidential status.

Estimate of Respondent Burden

The Federal Reserve's share of FFIEC 030 reporting burden is based on the number of foreign branches of state member banks that are required to file. There are currently 273 foreign branches of domestically chartered commercial banks (U.S. banks) of which ninety-eight are foreign branches of state member banks. Some reporters may choose to file one consolidated report for all their branches located in the same country, thus the number of reports submitted may be slightly lower than the total number of branches. Based on criteria in the FFIEC 030 general instructions that define a significant branch, data for twenty-six of the ninety-eight foreign branches are reported quarterly. Quarterly reports are not consolidated. Combining four line items into two and changing certain items from a net to a gross basis would decrease the estimated average hours per response. Thus changes would decrease the annual burden from 687 to 651 hours.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Annual (branches)</i>	72	1	3.9	281
<i>Quarterly (branches)</i>	26	4	3.9	406
<i>Current Total</i>	98			687
<i>Annual (branches)</i>	72	1	3.7	266
<i>Quarterly (branches)</i>	26	4	3.7	385
<i>Proposed Total</i>	98			651
<i>Change</i>				-36

Based on an average hourly cost of \$20, the total cost to state member banks is estimated to be \$13,020, a decrease of \$720 annually.

Estimated Cost to the Federal Reserve System

The annual cost to the Federal Reserve System for collecting and processing the FFIEC 030 reports is estimated to be \$11,100. The Federal Reserve System collects and processes the data for all three of the federal bank regulatory agencies.

Consultation Outside the Agency

Federal Reserve staff members have consulted with representatives of the OCC and the FDIC concerning the proposed extension of this report.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.